

# McELROY, QUIRK & BURCH

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04998.000 Agreed Upon Procedures 12/31/12 1000.001 AUP Report

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## AGREED UPON PROCEDURES REPORT TOWN OF LAKE ARTHUR, LOUISIANA

### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Town of Lake Arthur and  
Legislative Auditor,  
State of Louisiana

We have performed the procedures enumerated below, which were agreed to by the Town of Lake Arthur, Louisiana, solely to assist you with respect to the accounting records of the Town of Lake Arthur, Louisiana. The Town of Lake Arthur, Louisiana's management is responsible for the Town's accounting records. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our objectives, procedures and findings are as follows:

#### 1. **Objective:**

Evaluate the payroll process for each department. Select a sample of pay periods and trace amounts paid to individuals back to documentation supporting the hours worked.

#### **Procedures:**

We selected the pay periods ending October 11, November 8, and December 20, 2012. We traced hours per paystub for each employee to available backup. For the Police Department, the first backup we traced to was the summary sheet signed by the Police Chief. We also traced to a sheet with a recap of total hours for each day for each officer, kept behind the summary sheet. For administrative and public works departments, the backup was a time book kept by the department head.

**Response:**

- We found that the police department did not have adequate backup to support regular and overtime hours worked.
- Employees in the police department did not fill out their own timesheets on a regular basis.
- The Police Chief estimated overtime hours worked instead of documenting actual hours worked.
- We also found that all departments were in violation of Town policy requiring employees to fill out their own timesheets.

**Recommendation:**

- We recommend that the Town strengthen their policy regarding documentation of hours worked by employees.
- We recommend that employees be responsible for filling out their own timesheets, as stated in the Town of Lake Arthur Employee Policy Manual.
- We also recommend that each employee sign a document attesting to the fact that they worked the hours listed on their timesheet.
- We recommend that the Police Chief keep a log of all overtime hours worked with the reason for the overtime (see Exhibit 1).
- We also recommend that the Police Chief pay officers only for hours actually worked and not estimated hours worked.

**2. Objective:**

Evaluate the cash disbursements process for each department, including requisitions, purchase orders, invoices, and checks written.

**Procedure:**

We generated a random sample of 40 disbursements from August 1, 2012 through December 31, 2012. We received the accounts payable packet for each transaction. We matched disbursements to supporting documentation, including purchase orders and invoices, if available.

**Response:**

- We found that 11 out of 40 disbursements tested had purchase orders within the accounting system.
- We found that no disbursements tested had the supporting purchase order attached to the invoice and check stub at the time of disbursement.
- We also found that 34 out of 40 invoices tested did not have department head signature of approval on the invoice.

**Recommendation:**

- We recommend that the Town implement a purchase order policy regarding the disbursement process.
- We recommend that a purchase order be obtained for any purchase of goods or services over a threshold set by the management of the Town of Lake Arthur.
- We also recommend that any document supporting receipt of the goods, such as a packing slip, and the purchase order, if applicable, be matched to the invoice and attached prior to payment.
- We also recommend that prior to submission to the council for approval, the listing of bills to be paid by department should be given to each department head for their final review of account coding and whether or not all goods and services have been received prior to payment.

**3. Objective:**

Evaluate the procedures relating to the Town's use of credit cards. Select a sample of credit card statements and trace amounts charged to proper documentation and pre-approval of the expenditure, if necessary.

**Procedure:**

We obtained a listing of all credit cards used by the Town and documented monthly fluctuations in credit card charges. We selected 3 Visa statements for testing- October, November, and December 2012. We tested to determine that a receipt with a written description was present for all credit card charges.

**Response:**

- We found that all purchases on the selected statements were for business purposes.

- We found that receipts were present for all purchases, and 34 out of 39 receipts contained a written description of the charge.
- We found that 5 receipts for meals and travel did not have all documentation required by IRS guidelines.

**Recommendation:**

- We recommend that documentation on credit card receipts for travel expenses be more consistent with IRS guidelines. Per IRS Publication 463, elements of travel expenses to be proved are the amount, time, place, and business purpose.
- We also recommend that the Town implement a policy stating that all credit card receipts have a written description of the business purpose of the purchase.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Town of Lake Arthur, Louisiana and the Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Ms. Elroy Quirk & Buich*  
Lake Charles, Louisiana  
February 20, 2013

## Summary of Overtime Worked

[illegible]



# TOWN OF LAKE ARTHUR

— "NATURE'S BEAUTY SPOT" —

## MAYOR ROBERT B. BERTRAND

COUNCIL MEMBERS: DAVID HANKS SHERRY CROCHET ELLSWORTH DUHON DOROTHY CHARLES TROY TRAHAN

CHIEF OF POLICE  
CHERYL VINCENT

TOWN CLERK  
CYNTHIA MALLET

TOWN ATTORNEY  
BENNETT LAPOINT

COURT MAGISTRATE  
RICHARD ARCENEUX

February 25, 2013

Ms. Suzanne Elliot  
Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Ms. Elliot:

The Town of Lake Arthur is in receipt of the Independent Accountant's Report on Applying Agreed-Upon Procedures. The management for the Town of Lake Arthur wish to improve the policy and procedures for the operation of the Town of Lake Arthur, therefore after reviewing the report, the Town of Lake Arthur makes the following corrective action plan for the responses and recommendations as stated in the report:

### OBJECTIVE #1

1. The Town of Lake Arthur will adhere to the current Personnel Policy requiring documentation of hours worked by employees and will amend the policy where needed to include any new procedures being put in place.
2. The Town of Lake Arthur began utilizing an employee timesheet that the employee personally fills in their hours, and attests under penalty of perjury and violation of Article VII, Section 14 of the Louisiana Constitution 1974 that it is correct as marked, the supervisor then signs the timesheet verifying the hours worked.
3. A copy of Exhibit 1, Summary of overtime worked, was given to the Police Chief with the recommendations from the Independent Accountant's Report. The following was the Police Chief's response:

In response to the audit findings I have changed the way time is being turned in. Each officer is filling out their own time sheet and they have to put the exact time they came out and went in for overtime hours. When it is time to turn in payroll I review the time sheets and sign them then turn them in to City Hall. A

seperate record of overtime hours will be kept by myself for audit purposes.

OBJECTIVE #2

1. The Town of Lake Arthur is in the process of reviewing the purchasing and disbursements policy guide displayed on the Legislative Auditor's website and is tailoring it to fit the purchasing and disbursements for the Town of Lake Arthur. A policy will be adopted within 60 days.
2. The recommendations from the Independent Accountant's Report on purchases and disbursements will be included in the purchasing and disbursements policy adopted by the Town of Lake Arthur.

OBJECTIVE #3

1. The Town of Lake Arthur has unwritten procedures for Credit Card Use and adheres closely to these procedures. The Town of Lake Arthur is in the process of reviewing the Credit Card Policy displayed on the Legislative Auditor's website and is tailoring it to fit the Credit Card use for the Town of Lake Arthur.
2. All recommendations for Credit cards concerning receipts, meals, and travel as stated in the Independent Accountant's Report will be addressed in the credit card policy and will be adopted within 60 days by the Town of Lake Arthur.

Sincerely Yours,

A handwritten signature in black ink, appearing to read "Robert B. Bertrand". The signature is fluid and cursive, with the first name "Robert" and last name "Bertrand" clearly distinguishable.

Robert B. Bertrand

Mayor